

CHAPTER 1 INTRODUCTION

This chapter introduces the background of the study that consists of development history of organizational learning (OL) and learning organization (LO), reason for OL and LO, and a brief introduction to Malaysia including its people, its economy, Malaysian organizations and the Human Resource Development and Training Policies. Besides, this chapter states the problem of OL and LO, and purpose of the study; thereafter it presents a general approach of the study, followed by the significance and scope of the study.

1.1 BACKGROUND OF THE STUDY

1.1.1 DEVELOPMENT OF ORGANIZATIONAL LEARNING AND LEARNING ORGANIZATION

We can trace the concept of organizations as learning systems to the early 1900s. Frederick Taylor, who developed the influential theory of scientific management, believed that when management "truths" were articulated and measured, this learning could be transferred to other employees and thus improves the efficiency of the organization. In the late 1950s, organizational learning was refined and defined by a number of theorists at Carnegie Mellon University, such as Richard Cyert, James March, and Herbert Simon. In 1958, March and Simon wrote, "For as we shall see when we consider organizational standard operating procedures, an organization's choice is heavily conditioned by the rules within which it occurs. These rules, in turn, reflect organizational learning processes by which the firm adapts to its environment." (Yeung, Ulrich, Nason and Glinow, 1999)

In fact, the idea of learning organization has been present in the management studies literature for decades, but it has only become widely recognized in the past 10 years and there is a realization and respect for such alternative paradigms. Cummings and Worley (2001) states that learning organization is among the most widespread and fastest-growing 'Strategic Interventions'. It is aiming at helping organizations develop and use knowledge to change and improve them continually. Organizational learning is crucial in today's complex, rapidly changing environments, and its importance is likely to increase in the future. It enables organizations to acquire and apply knowledge more

quickly and effectively than competitors thus establishing a sustained competitive advantage. Figure 1 outlines management trends, beginning with the 1950s till 1990s. Yeung (1999) perceives that learning research extends rather than replaces the useful management concepts of the past.

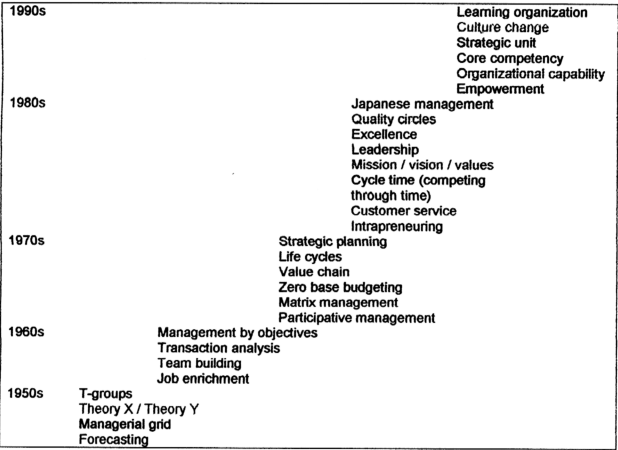


Figure 1: Evolution of Management Thinking
 (extracted from Yeung, Arthur K., Ulrich, David O., Nason, Stephen W. and Glinow, Mary Ann Von (1999), *Organizational Learning Capability*, New York: Oxford University Press)

Two developments have been highly significant in the growth of organizational learning and learning organization (Easterby-Smith, Burgoyne and Araujo, ed., 1999).

- (1) It has attracted the attention of scholars from disparate disciplines that had hitherto shown little interest in learning processes. Business strategists have realized an organization which learns faster may indeed be the keys to long-term business success. Economists perceive that firms learn by doing, as well as through formal learning processes, whereas, sociologists become

aware of the central role that learning and organizational knowledge can play in the internal dynamics and politics of organizational life. As a consequence of this is that the field has become conceptually fragmented, and representations of different disciplines now vie over who has the correct model of organizational learning.

- (2) Many consultants and companies have caught onto the commercial significance of organizational learning – underpinned by theorists such as Senge (1990), Pedler (1989), and Field and Ford (1995) who have focused on making practical interventions in organizations in order to help them become 'learning organization'. Some models of the learning organization have been based on the observations of organizations that appear to be good at learning, from which good practices have been extracted and synthesized. Others have relied more on the theoretical principles, such as systems dynamics or psychological learning theory.

1.1.2 REASON FOR OL AND LO

Some of the critical issues facing today's corporations are globalization, economic and marketing competition, environmental and ecological competition, new sciences of quantum physics and chaos theory, entering the knowledge era where brainpower is becoming a company's most valuable asset and changing of workplace environment that is technology-driven (Marquardt, 1996). In recent years, several countries have embarked on their knowledge-base strategies in an attempt to transform their economies. Governments have increasingly become aware that knowledge is a vital source of economic growth and competitiveness amid the pressures of increasing globalization, liberalization and rapid changes in information and communications technology (ICT) (Abdul Jumaat and Jeyapalan, 2001).

Malaysia's Deputy Prime Minister, Datuk Seri Abdullah Ahmad Badawi stressed in the Malaysia Corporate Information Technology Conference & Exhibition 2001 (New Straits Times, 11 May 2001) that "Globalization has brought with it increasingly complex challenges. Today, knowledge as an asset is beginning to supplant the traditional factors of production – land, labor and capital – and has become instrumental corporate and competitive resource. Now, more

than ever before, development organizations and communities need to generate, share and apply new knowledge on a dynamic basis. To survive and succeed in the 21st century, communities and organizations have to be knowledge-based and knowledge-driven. They need to innovate on a continuous basis, share and socialize knowledge, and apply knowledge for their empowerment for greater effectiveness and for sustainable and equitable development."

Jack Welch, CEO of General Electric, recently noted that even a business that has taken 30 years to build can be lost in two years if it does not adapt and change (Yeung et al., 1999). Welch is consumed with the notion of *speed* in all domains of GE business and wants to ensure that employees are empowered to make faster decisions, that market intelligence is quickly integrated into changing business plans, and that cycle times are reduced on all GE initiatives. To ensure speed, or the capacity for rapid change, the ability to learn becomes critical in all aspects of a business – from product design to manufacturing technology to distribution to meeting customer expectations. Learning is the ability to assimilate new ideas from others and from past experience and to translate those ideas into action faster than a competitor. Not learning may lead a firm to stick with an existing product line beyond reason or not to respond to a competitor's initiative in time to make a difference.

There is now a prior, prime business, which is to become an effective learning organization. Not that profit and product are no longer important, but without continual learning profits and products will no longer be possible. Hence, the business of business is learning – and all else will follow. Or as Reg Revans has noted: "Learning inside an organization must be equal to or greater than change outside the organization." Absence of the ability of learning will definitely block Malaysia from attaining knowledge-economy. Therefore, the main responsibility of individual, team and organization is to learn faster than ever before and organizations play a significant role in order to continuously transform themselves into a learning organization, to become places where groups and individuals continuously engage in new learning processes.

1.1.3 BACKGROUND OF MALAYSIA

THE PEOPLE AND EDUCATION

The Malaysian populace comprises three main ethnic groups – Malays, Chinese and Indians. Based on the recent Population Census 2000 by Department of Statistics Malaysia, the total population of Malaysia was 23.27 million compared to 18.38 million in 1991 thus giving an average annual population growth rate of 2.6% over the 1991-2000 periods. In terms of population distribution by state in Census 2000, Selangor was the most populous state (4.19 million) followed by Johor (2.74 million) and Sabah (2.60 million). The least populated states were Wilayah Persekutuan Labuan (0.08 million or 0.3%) and Perlis (0.20 million or 0.9%). Of the total population of Malaysia in Census 2000, about 21,890 thousand or 94.1% were Malaysian citizens. Of the total Malaysian citizens, Bumiputera comprised 65.1%, Chinese 26.0% and Indians 7.7% and Non-Malaysian citizens totaled 1,385 thousand (or 5.9%).

The Malays are mainly Muslim, the Chinese may practice ancestral worship of Confucianism, Taoism or practice Buddhism, or Christianity, and Indians are generally Hindu or Christian. The people of Malaysia have generally held onto the customs of their ancestors. They speak the language and dialects of their respective ethnic groups and practice the norms and mores of their culture. It has been Malaysia's main goal, since its inception, to build a society with racial harmony and national unity. Ethnic differences will continue to exist, but racial disparities will likely decrease (Wan Abdul Manan, 1996).

Educational needs of the country will increase enormously, particularly in the higher education sector. Access to higher education and life-long learning is an issue that will be faced by the government. The educated public is a requirement for a technologically industrialized nation. This issue will be a great challenge to policymakers and service-providers of the future. In terms of literacy, Malaysia is still lagging behind other countries with a comparable income level. Programs for a fully literate population should be on top of the national agenda. Furthermore, to be functionally literate in a modern society one has to be able to decide one's own destiny and be conscious of the surrounding environment (Wan Abdul Manan, 1996).

THE MALAYSIAN ECONOMY

Malaysia's development strategies can be divided into three main phases (Khairuddin Idris, 1999). Between independence in 1957 to the late sixties, the state gave emphasis to agricultural, rural and physical infrastructure development. The export of primary commodities contributed to a stable growth. However, the ethnic Malays in particular, given their largely rural tenure, remained in relative poverty. The economic disparities among the ethnic groups led to the 1969 ethnic riots. This prompted a review of national development policy, which resulted in the introduction of the New Economic Policy (NEP) in 1971.

The second phase of development was between the early seventies and mid-eighties. The increase in oil and gas revenues partly enabled the setting up of Heavy Industries Corporation of Malaysia (HICOM). HICOM was envisioned to provide the thrust in encouraging industrial diversification, generating modern manufacturing activities outside the Free Trade Zones (FTZs), and fostering upstream industrial activities.

The third phase of Malaysian's development was prompted by the recession in 1985. This recession was partly brought about by the country's aggressive drive towards industrialization and heavy external debts. Following this recession, Malaysia adopted a more prudent strategy of development. A relaxed licensing requirement and investment incentives were introduced to increase foreign direct investment and private enterprises. State expenditures were reduced mainly through the privatization of state-owned enterprises. Privatization was also formulated to increase the efficiency and accountability of former state enterprises, which was reflected in the New Development Policy (NDP) that replaced the NEP. With all this, Malaysia has enjoyed continuous rapid growth since 1986.

However, the Asian Financial Crisis year 1997 had led to a decline in private and public expenditure. In addition, the non-recoverable debts led to an increase in Non-Performing Loans (NPLs) and some significant losses by some banking institutions that eroded their capital base. Nonetheless, the Government confronted these problems in a proactive and comprehensive manner. National Economic Council launched National Economic Recovery Plan (NERP) in July

1998 to bring about stability and expedite economic recovery (Bank Negara Malaysia, 1999). Malaysia has now moved on to a new and more challenging phase in nation building. Today, Vision 2020 guides and envisions Malaysia, particularly as a fully developed nation with knowledge-economy by the year 2020.

THE MALAYSIAN ORGANIZATION

Asia Pacific Management News (November, 1997) stated that Malaysian organizations are in general very rigidly structured, which is inappropriate for industries that move at lightning speed and rapid advancement into global arena. Amidst the dynamic environmental changes, the biggest constraint of Malaysian organizations seems to be related to technological capability of indigenous industries and the scarcity of research and development activities (Khairuddin, 1999). Even Research and Development is present, they are limited to large scale firms. Smaller firms in general primarily depend on imports of foreign technology. Thus, programs are being developed by the relevant authorities to accelerate technology transfer as well as technological development and enterprise growth. Tax incentives on capital and skill intensive projects utilizing new technologies are offered in encouraging R&D and training activities.

In an interview with Datuk Dr Tengku Azzman Shariffadeen, President of MIMOS has some interesting comments about Malaysian organization structure, teamwork and change (Asia Pacific Management Forum, 1997). He commented that Malaysian organizations have not been very innovative and still live in the hierarchical world. The structured organization is fallout of the Industrial Age and he calls these organizations as "Frederick Taylor's organizations" that worked for a while because one could document and pre-determine the processes that work in an organization during the Industrial Age where things could be seen as clockwork - machines operating according to precision timing. However, when we enter into the Information Age, things are not like that anymore. An information organization is actually like an organism - a biological ecosystem. It will not behave exactly as we predict. So we are talking about a new organization - the networked flat organization. In Malaysia, we have an advantage because we are more open to new ideas than other cultures, simply because we do not have a

long history of industrialization and thus, we do not see the universe as being totally mechanical.

HUMAN RESOURCE DEVELOPMENT AND TRAINING POLICIES

The drive towards greater industrialization in the economic transformation process as Malaysia strives for the status of a fully-developed economy by the year 2020 will depend not only on technological development and capital resources, but equally important, on the quality of available human resources. The quality and adaptability of workforce should be the cornerstone of the country's competitiveness in the international arena. Such manpower needs can only be created and nurtured through close cooperation between the government and the private sector in human resource development within the framework of a forward-looking and pragmatic education and training system that is specifically designed and continuously improved on so that it is market-driven, anticipatory of future trends and needs and, thus, able to respond to the requirements of a dynamic labor market (Young and Ng, 1996).

Human Resource Development (HRD) policy became crucial in the economic planning in the 1980s. The main thrust of HRD during the Fifth Malaysia Plan (1986 – 1990) was the enhancement of the quality and productivity of the workforce to meet the skill requirements of the economy. A shift towards more broad-based, skill-oriented education and training programs began to emerge. However, the overall participation of the private sector in training is still inadequate to meet rapidly increasing demand for skilled manpower. In order to close this gap, Human Resource Development Fund (HRDF) had been designed to upgrade skill reserves and supply the skills required by industries. The fund is expected to cover medium and large firms in the manufacturing and tourism sectors. It hopes to boost the training and learning ability, and to encourage the private sector to set up their own training facilities. The establishment of this Fund was the first step in securing greater private sector commitment to learn and train their workers to become knowledgeable and skilful enough to meet the market demand (Young and Ng, 1996).

1.2 STATEMENT OF PROBLEM

Over the past years, discussion on OL and LO has been extensive and diversified. Too often, however, this discussion has remained at the level of describing and defining, and the efforts to diagnose and measure the concept have been very rare (Moilanen, 2001). For a long time, authors have bemoaned the shortage of empirical work in this field (Fiol and Lyles, 1985; Huber, 1991; Miner and Mezias, 1996). Even recently, there are no signs of the pattern changing. For example, of 150 papers on the learning organization abstracted in ABI Inform during 1997, only 15 (10%) were based on new empirical data collected by the authors, and of these, 10 were based on interventions carried out by the authors themselves (Easterby-Smith et al., 1999).

In Malaysia, the concept of organization learning is just like a newly born baby, going through its infancy stages. According to Daramy (1998), studies done so far on the field in Malaysia have been negligible (Liew, 1999). At present, not much is known about the interaction of organization culture and organizational learning of Malaysian organizations. As stated by Prange (1999), the consequences of different cultures and different experiences leading to an examination of different learning needs are neglected. Hence, a primary concern of this study is to investigate how cultural differences affect Malaysian organizations' learning capability and learning opportunity, and how learning capability and learning opportunity influence individual's and organization's performance ultimately.

1.3 PURPOSE OF THE STUDY

At times, learning is the end, not the means. Many activities can help create the ability to learn. Senge has drawn on decades of systems thinking work to demonstrate when leaders think about whole systems, not just parts, learning is more likely to occur (Yeung et al., 1999). While some studies of learning end with increased learning, this research would like to argue that the capacity to learn has both antecedents and consequences. The study is to understand whether different organization cultures (antecedent) affect the organizational learning capability and learning opportunity. The study also will look into the self-rated competency, satisfaction level of development and organization

innovativeness as the learning outcome (consequences). Specifically, the objectives of the study are to answer the following questions:

- (1) Is there any significant cultural difference between Asian- and Western-based companies?
- (2) Does business culture affect organizational learning capability and learning opportunities?
- (3) Are different organizational learning and learning opportunities lead to different learning consequences?

1.4 APPROACH OF THE STUDY

Since the theoretical contributions in the field argue that individual learning in the context of organizations is influenced by the individual and organizational factors, and has the consequences for organization (Simon, 1991), therefore, this research will focus on the significance of the interaction between business culture and learning process that have the impacts on individual's and organization's performance.

The model integrates three blocks with the business culture that influences the development of organizational learning capability and learning opportunity as antecedent; individual self-rated competency, satisfaction with development and organizational innovativeness as consequences that occur if an organization has a greater learning capability and a particular style of learning. The general approach of the study is illustrated in Figure 2.

For the purpose of this study, the blocks with the primary relationship is taken into consideration and the secondary relationship between business culture and learning consequences is ignored.

A review on business culture, organizational learning capability, learning opportunity and learning consequences will be presented in the next chapter.

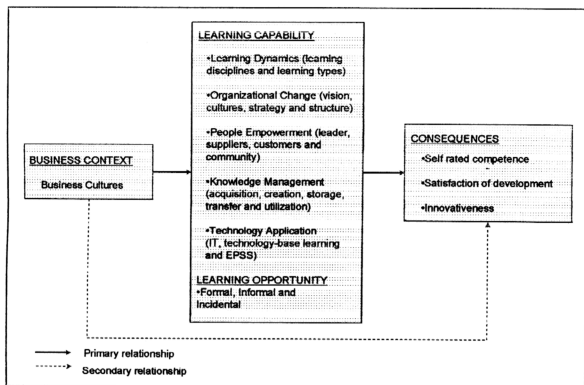


Figure 2: Approach of the study

1.5 SIGNIFICANCE OF THE STUDY

This research examines the differences of business culture between Asian- and Western-based of Malaysian organizations. It offers additional insights about how business culture affect organizational learning capability and learning opportunity, and how learning capability and opportunity cause differences in one's self-rated competency and satisfaction with development since joining the organization, and organizational innovativeness. This may contribute toward a better understanding about organization with different business culture in transforming itself to a learning organization. Such differences may influence the way individuals learn in order for them to be competent in fulfilling their roles and responsibilities. The research enables organizations to strengthen enhancements to learning, and benchmark the practices among themselves in order to embark into the same road to learning organization. Besides, it can help the management of organizations to identify areas for future interventions in order to survive in this competitive world.

1.6 SCOPE OF THE STUDY

The respondents were drawn from the group of executives and above working in different nationality of manufacturing firms located at various states in Peninsular Malaysia. This study gauges their perception towards their company's business culture, organizational learning capability, learning opportunities, organizational innovativeness, individuals' self-rated competency and satisfaction level with development since joining the company. This group of people was selected for the research because of the fact that they are current leaders or expected future leaders and thus, the results of this research could be an indicator of the way existing and future leaders might be expected to learn in their companies.

1.7 ORGANIZATION OF THE REPORT

Chapter 1 presents the background of the study that includes development of organizational learning and learning organization, reason for organizational learning and learning organization, and a very brief introduction to Malaysia. This chapter also states the problem, purpose, approach, significance and scope of the study.

Chapter 2 reviews the concept and relationship of organizational learning and learning organization, school of thought, the empirical work, business culture, System-Linked Organization Model developed by Marquardt, learning opportunity, and consequences of learning.

Chapter 3 presents the establishment of research hypotheses, sampling design that including sector of industry, unit of analysis, and instrumentation; pre-test of instrument and data collection methodology; and a general analytical framework for the research.

Chapter 4 explains the summary statistics of the respondents, analysis and testing of hypotheses, and an overall summary of research results.

Finally, Chapter 5 presents the conclusion and implications of this research and end up with the limitations by proposing some recommendations for further research.